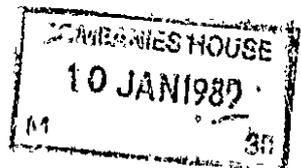


SHIELD PACKAGING LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 9TH JANUARY 1988

1861388



PEAT MARWICK McLINTOCK  
7 Tib Lane, Manchester M2 6DS.

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SHIELD PACKAGING LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year to 9th January 1988.

Trading operations

The principal activity of the company during the year was the manufacture of packaging materials, printing, binding, etc.

Review of trade

Details of trading are shown in the attached profit and loss account, resulting in a turnover of £5,502,000 and a loss on ordinary activities before taxation of £(407,000).

Fixed assets

Details with regard to changes in fixed assets are set out in note 7 to the financial statements.

Dividend

The Directors do not recommend payment of a dividend.

Directors

The Directors of the company during the year were:

T.J. Howarth (appointed 28th January 1987)  
G.R. Lounsbach (resigned 13th January 1987)  
R.T. Dixon

None of the Directors had any beneficial interest in the company or in the holding company or other companies in the Group, during the year under review.

Donations

No donations for charitable or political purposes were made during the year.

Subsequent events

No significant events have occurred since the conclusion of the financial year.

Future prospects

The company is expected to continue and expand its operations in the manner in which it trades at present.

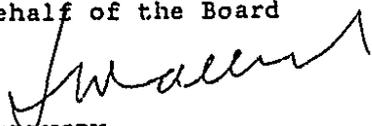
SHIELD PACKAGING LIMITED

DIRECTORS' REPORT  
(continued)

Auditors

Our auditors, Peat Marwick McIntock, have indicated their willingness to continue in office and a resolution regarding their re-appointment will be submitted to the general meeting at which the annual accounts will be presented.

On behalf of the Board



J. WALLWORK  
Secretary

Registered office:  
New Century House,  
Manchester. M60 4ES

AUDITORS' REPORT TO THE MEMBERS OF

SHIELD PACKAGING LIMITED

We have audited the financial statements set out on pages 4 to 12 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 9th January 1988 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Paul Meinel MCA*

Chartered Accountants

Manchester

7th April 1988

SHIELD PACKAGING LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 9TH JANUARY 1988

	<u>Notes</u>	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
Turnover	3	5,502	3,904
Cost of sales		4,354	3,159
Gross Profit		1,148	745
Distribution costs		165	167
Administrative expenses		1,390	1,377
		(1,555)	(1,544)
Loss on ordinary activities before taxation	3-4	(407)	(799)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation and for the financial year		(407)	(799)
Retained deficit brought forward		(860)	(61)
Retained deficit carried forward		(1,267)	(860)

The notes on pages 7 to 12 form part of these financial statements.

SHIELD PACKAGING LIMITEDBALANCE SHEETAS AT 9TH JANUARY 1988

	<u>Notes</u>	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
<b>FIXED ASSETS</b>			
Tangible assets	7	1,206	993
<b>CURRENT ASSETS</b>			
Stocks	8	812	514
Debtors	9	1,010	953
Cash at bank and in hand		11	91
		1,833	1,558
CREDITORS: Amounts falling due within one year	10	4,302	3,399
<b>NET CURRENT LIABILITIES</b>		(2,469)	(1,841)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(1,263)	(849)
CREDITORS: Amounts falling due after more than one year	10	(4)	(12)
		(1,267)	(860)
<b>CAPITAL AND RESERVES</b>			
Called up Share Capital	12	-	-
Profit and Loss Account		(1,257)	(860)
		(1,267)	(860)

 - )  
 ) DIRECTOR

Approved by the Board : 7th April 1988

The notes on pages 7 to 12 form part of these financial statements.

SHIELD PACKAGING LIMITED  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 9TH JANUARY 1988

	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
<b>SOURCE OF FUNDS</b>		
Proceeds of sale of tangible fixed assets	-	12
	<hr/>	<hr/>
Total generated from operations	-	12
<b>APPLICATION OF FUNDS</b>		
Loss on ordinary activities before taxation	(407)	(799)
Adjustment for items not involving the movement of funds:		
Depreciation	109	189
Profit on sale of fixed assets	-	(12)
Purchase of tangible fixed assets	(402)	(375)
	<hr/>	<hr/>
	(620)	(985)
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Stocks	298	26
Debtors	57	(22)
Cash at bank and in hand	(80)	4
Creditors	(39)	(220)
	<hr/>	<hr/>
	236	(212)
<b>INCREASE IN AMOUNT DUE TO PARENT ORGANISATION</b>		
	<hr/>	<hr/>
	856	773
	<hr/>	<hr/>

The notes on pages 7 to 12 form part of these financial statements.

SHIELD PACKAGING LIMITEDNOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with Section 238 of, and Schedule 4 to, the Companies Act 1985.

Deferred taxation

No provision for deferred taxation has been made as the parent organisation has indicated that any liability to deferred taxation will be met by the parent organisation.

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Fixed Assets

The cost of plant and machinery is written off over their estimated useful lives of approximately 7 years. Leasehold improvements are written off over 20 years.

Finance Leases

Plant acquired under finance leases is capitalised based on the purchase price of the assets. Depreciation is provided on the same basis as for owned assets. The interest element of the lease payment is charged to profit and loss account over the primary lease period.

The capital value of the leases is included in the balance sheet as a liability, reduced by the capital element of the lease payments.

Operating Leases

Rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

## 2. ACCOUNTING DATE

Since the financial year is virtually co-terminous with the calendar year 1987, the financial year's figures are headed 1987 and the corresponding figures for the previous period are headed 1986.

## 3. ANALYSIS OF TURNOVER AND LOSS BEFORE TAXATION

The whole of the company's turnover and loss before taxation arises from its trading operations within the United Kingdom.

SHIELD PACKAGING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
 (continued)

## 4. TRADING LOSS

The trading loss is stated after charging:

	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
Directors' remuneration	-	-
Depreciation of tangible fixed assets	189	189
Auditor's remuneration	11	12
Finance charges in respect of finance leases	1	3
Hire of plant and machinery	-	9
Other operating lease rentals	71	21
	<hr/>	<hr/>

## 5. EMPLOYEES

	<u>1987</u>	<u>1986</u>
<u>Average number of employees</u>	131	128
	<hr/>	<hr/>
	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
<u>Employee costs</u>		
Wages and salaries	1,494	1,222
Social security costs	149	127
Other pension costs	78	64
	<hr/>	<hr/>
	1,721	1,413
	<hr/>	<hr/>

No employees received emoluments exceeding £30,000.

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

No liability to UK Corporation Tax arose during the year.

All current losses have been surrendered by way of group relief to other group companies for which no payment will be made.

There is no potential deferred tax payable as the company has losses brought forward of £2.5M (1986 : £2.5M) available to offset against future trading profits.

SHIELD PACKAGING LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
 (continued)

## 7. TANGIBLE FIXED ASSETS

	<u>Leasehold improvements</u> £000	<u>Plant and machinery</u> £000	<u>Payments on account</u> £000	<u>Total</u> £000
<u>Cost</u>				
At 10th January 1987	50	1,264	-	1,314
Additions during year	-	146	215	361
Intra-group transfers	-	79	-	79
	-----	-----	-----	-----
At 9th January 1988	50	1,489	215	1,754
	-----	-----	-----	-----
<u>Depreciation</u>				
At 10th January 1987	4	317	-	321
Charge for year	2	167	-	189
Intra-group transfers	-	38	-	38
	-----	-----	-----	-----
At 9th January 1988	6	542	-	548
	-----	-----	-----	-----
<u>Net book value</u>				
9th January 1988	44	947	215	1,206
	-----	-----	-----	-----
10th January 1987	46	947	-	993
	-----	-----	-----	-----

Plant and machinery includes assets held under finance leases as follows:

	<u>1987</u> £000	<u>1986</u> £000
Costs	94	94
Accumulated depreciation	82	70
	-----	-----
	12	24
	-----	-----

SHIELD PACKAGING LIMITEDNOTES TO THE FINANCIAL STATEMENTS  
(continued)

## 8. STOCKS

	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
Raw materials and consumables	418	294
Work-in-progress	253	100
Finished goods and goods for resale	141	120
	<u>812</u>	<u>514</u>

There is no material difference between the replacement costs of stocks and their balance sheet values.

## 9. DEBTORS

	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
All due within one year		
Trade debtors	960	769
Amounts owed by group companies:		
Holding company and fellow subsidiaries	22	-
Other debtors	-	155
Prepayments and accrued income	28	29
	<u>1,010</u>	<u>953</u>

## 10. CREDITORS

	<u>1987</u>		<u>1986</u>	
	<u>Due within</u> <u>one year</u> <u>£000</u>	<u>Due after</u> <u>one year</u> <u>£000</u>	<u>Due within</u> <u>one year</u> <u>£000</u>	<u>Due after</u> <u>one year</u> <u>£000</u>
Trade creditors	530	-	471	-
Amounts owed to group companies: Holding company and fellow subsidiaries	3,496	-	2,640	-
Other tax and social security	26	-	97	-
Other creditors	6	-	24	-
Accruals and deferred income	236	-	155	-
Finance leases	8	4	12	12
	<u>4,302</u>	<u>4</u>	<u>3,399</u>	<u>12</u>
<u>Analysis</u>				
Repayable within five years		<u>4</u>		<u>12</u>

SHIELD PACKAGING LIMITEDNOTES TO THE FINANCIAL STATEMENTS

(continued)

## 11. FINANCE LEASES

	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
Gross lease payments outstanding	16	28
Less: future finance charges	4	4
	—	—
Capital value at 9th January 1988	12	24
Less: amounts falling due within one year	8	12
	—	—
Amounts falling due after more than one year	4	12

## 12. CALLED UP SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>	
	<u>£</u>	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
Ordinary shares of £1 each	100	100	100

## 13. CAPITAL COMMITMENTS

	<u>1987</u> <u>£000</u>	<u>1986</u> <u>£000</u>
Expenditure committed, but not yet provided for	1,259	73
Expenditure authorised by the directors but not contracted for	—	25

## 14. OPERATING LEASES

The company has commitments for payments in the next year under operating leases as follows:

	<u>1988</u>			<u>1987</u>		
	<u>Land and Buildings</u> <u>£000</u>	<u>Other</u> <u>£000</u>	<u>Total</u> <u>£000</u>	<u>Land and Buildings</u> <u>£000</u>	<u>Other</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Operating leases which expire:						
Within one year	—	6	6	—	3	3
Over five years	96	—	96	50	—	50
	—	—	—	—	—	—
	96	6	102	50	3	53

Rent on land and buildings amounting to £45,625 was waived in 1987. Full rent of £91,250 was payable from 1988.

SHIELD PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

15. FINANCIAL SUPPORT

The parent organisation has indicated its intention to provide sufficient finance to the company to enable it to meet its liabilities for a period of at least one year or until leaving the Co-operative Wholesale Society group if earlier.

16. PARENT ORGANISATION

The company is a wholly owned subsidiary of Co-operative Wholesale Society Limited, an Industrial and Provident Society incorporated in England.